



State of California

Employment Training Panel

Arnold Schwarzenegger, Governor

September 16, 2008

Transmitted electronically.

Todd Pawlowski, Vice President of Airport & Guest Services
Virgin America, Inc.
555 Airport Blvd. Ste. 200
Burlingame, CA 94010

RE: FINAL REPORT for Virgin America, Inc. – ET06-0223

Date, Time, and Attendees at Two Most Recent visits:	<i>May 16, 2008 Time: 10:00 a.m. – 12:30 p.m.</i> FOR VIRGIN AMERICA: Deborah McCuiston Director, Corporate Learning Josie Yan, Administrative staff person FOR ETP: Diane Woodside ETP Analyst
	<i>June 9, 2008 Time 10:00 a.m. – 1:35 p.m.</i> FOR VIRGIN AMERICA: Deborah McCuiston Director, Corporate Learning Josie Yan, Administrative staff person Evonne Johnson, Finance Analyst FOR ETP: Diane Woodside, ETP Analyst Robert Jackson, ETP Analyst
Date Training Began:	10/3/2006
Visit Locations:	Virgin America facility in Burlingame, CA
Action Required:	NO

CONTRACT INFORMATION:

Term of Agreement:	06/30/06 – 06/29/08	Agreement Amount:	\$9,991,602
Training Start Date:	10/06/06	No. to Retain:	1,185
Date Training Completed by:	06/28/08	Range of Hours Per Trainee:	24 – 500 Job 1 24-253 Job 2
Type of Trainee:	Retrainee	Weighted Ave. Hours Per Trainee:	201 Job 1 55 Job 2

SACRAMENTO CENTRAL OFFICE
1100 J Street, 4th Floor
SACRAMENTO, CA 95814
(916) 327-5640

N. HOLLYWOOD REGIONAL OFFICE
4640 Lankershim Blvd., Suite 311
NORTH HOLLYWOOD, CA 91602
(818) 755-1313

S.F. BAY AREA REGIONAL OFFICE
1065 East Hillsdale Blvd, Suite 415
FOSTER CITY, CA 94404
(650) 655-6930

SAN DIEGO REGIONAL OFFICE
5353 Mission Center Road, Suite 110
SAN DIEGO, CA 92108
(619) 686-1920

FINAL REPORT SUMMARY:

HISTORY OF AGREEMENT CHANGES: This Agreement was modified four times: (1) to revise the term date to 6/30/06 – 6/29/08 because the start-up of the airline was delayed; (2) a technical correction to Chart 1; (3) revise the curriculum, occupational titles, retention language, and allowed hard copies of rosters for record-keeping rather than electronic record-keeping; and (4) a technical correction to Chart 1.

Virgin America has earned \$ 3,046,703 (30 percent of the total Agreement amount) for training a total of 444 trainees based on the fiscal close-out invoice which has been reviewed and retentions verified by ETP's Fiscal Unit. While 30 percent is considered to be less than average earnings for the typical single employer retraining contract, the performance actually represents slightly over what your company expected to earn under this first Agreement as detailed in the Panel cover memo for the second project. The March 2008 Panel Cover Memo stated that Virgin America expected to earn approximately \$3,000,000 in training funds under its current Agreement. In addition to the fact that greater earnings were not achievable because of the 18-month delay in the government approval process experienced by Virgin America, Panel staff expected that the entire \$10 million allotted to your company would likely require two or more contracts to achieve earning the total \$10 million.

PROJECT STATUS:

Eligible Trainees Enrolled:	1026	Number of Trainees Who	Total: 444
Job 1:	753	Completed Training,	Job 1: 293
Job 2:	273	Retention and Wages	Job 2: 151
		Reported in California:	
Amount Earned Job 1:	\$657,088	Amount Earned Job 2:	\$2,389,615

Job 1 training was primarily earned for the training of flight attendants and customer service representatives and Job 2 was for pilot training. Training of flight crews, comprised of pilots and flight attendants, also known as in-flight team members, represented the initial hires made by Virgin America as a start-up airline. Their training was the first priority.

FINAL VISIT QUESTIONS (Responses submitted by Virgin America Corporate Learning staff via email):

What barriers, if any, did your company experience in implementing your ETP project?

Barriers (Virgin America internal barriers)

Record Keeping

- Our first barrier was that we were a start up company with no processes in place on record keeping. In addition, being that we are currently not a centralized learning organization, every training department was keeping records differently and in different systems. To be more effective, it would have helped us if we had a more uniformed approach to records and record keeping

Knowledge and Resources

- Virgin America elected not to hire a consultant to manage this project and instead manage it internally. The positive: we were able to save 13% of our agreement money and put that money towards pure training costs. The negative: there was no one with ETP expertise or experience to manage this program. Our ETP Analyst spent a huge

amount of time to educate numerous employees on the ETP program. In addition to the knowledge, Virgin America was not staffed appropriately to effectively manage this program day to day. I would estimate to manage a program like this effectively it is about 70% of an FTE

Managing Finance's Expectations

- Our barrier is that our internal financial model does not match up with how ETP works which means our monthly reporting is off from what is reported internally

Lessons Learned

Record Keeping

- As the end user, first, clearly identify and clearly understand the record keeping requirements from ETP and compare those requirements with any other requirements (FAA requirements) and any current record keeping infrastructure in place.
- Gain agreement from all training departments on what each record should look like and identify the process behind the record keeping early on
- Build training and continuously communicate the importance of proper record keeping
- Hold instructors and training managers accountable for training records and compliance – build this into their performance management plan

Knowledge and Resources

- At the beginning of the contract take the time to fully understand the program, what is required, what can get your company in trouble, the audit process, etc. If I had to do this over again, I would hire a consultant to spend a few days on:
 - Educating me, training managers and finance on how ETP works
 - Develop a strategy on P1, P2 and final payment
- Staff the project appropriately. To manage this project internally – I would recommend 1 financial manager and 1 data entry admin

Managing Finance's Expectations

- From the very beginning, we should have included finance in the education of ETP. Moving forward, during monitoring visits, we will make sure ETP is included.
- From the very beginning of the contract, we should have better managed Finance's expectations – for example, explain that this is not a grant, explain how the progress payments work verses final payment
- Early on, catch any reporting discrepancies and make adjustments quickly in the financial model

What problems, if any, did your company experience with ETP record keeping?

Internal Record Keeping

- Mentioned above.

ETP Tracking System

- The inability to delete training hours for an entire class or group – too time consuming deleting each trainee, one by one (modifications screen).
- The inability to make modifications to 'Training Type' and 'Course Title' in the modifications screen.
- Experience some inconsistencies with the reporting side of system – data doesn't match what is in 'Forms' website.
- When entering data for multiple trainees, it would be convenient if you can enter all training dates and hours on one screen or 10 fields at a time like when entering single trainees.

- When modifying minutes in the modification screen, it shows the fraction of the hour which can be confusing since when entering data it shows as minutes.

What assistance could ETP have provided that would improve the process for future Contractors?

- Our analyst, Diane Woodside, has been very helpful and patient in educating us on how ETP works as well as continuously giving us feedback on how we are doing. Everyone from ETP – especially Diane and Creighton want to see Virgin America's relationship with ETP to be successful. In doing so, they have worked with us on training records, developing our second contract and myriad of other items to ensure we will successfully pass an audit
- Since I entered this project under the category of "I don't know what I don't know" – what would have been helpful is a more user friendly manual of everything you need to know about the ETP system – something short in length and easy to understand. There is a manual and reference material in place, however, it is lengthy and very technical to ETP.

How did your company benefit from the ETP training?

- First, one of the main factors for Virgin America moving its headquarters to CA was because of ETP. In addition, the money we have received from ETP has helped us provide cutting edge training programs for all of our front line employees. Last, the help from ETP especially the \$318 / hour for simulator training has helped us greatly as a start up airline to offer quality technical training to our pilots.

ATTENDANCE ROSTERS:

The primary purpose of both visits was to review a significant sample of original classroom rosters for Job 1 and Job 2 trainees for whom the company expects to earn reimbursement. The rosters reviewed meet ETP requirements. However, the company should review all Job 1 training rosters to ensure that all trainers signed if the trainer/trainee ratio is over 1:20. From the analyst's review, it appears that the overall ratio for all class/lab sessions averages at least the standard ratio. As agreed to, Job 2 pilot records are based on FAA requirements and are not signed on a daily basis by pilots. However, all training records for pilots are signed-off by certified instructors or the Director of Training.

Please note that the finding that the ETP documentation is in order is based only on the training records reviewed during prior visits and represents only a limited sample of the training records completed to date. It is Virgin America's responsibility to ensure that all training records are in compliance with Panel requirements for auditing purposes.

Subcontractor Information Has Been Entered Online:

Information on the one vendor, Airbus, has been entered into the ETP on-line system.

INFORMATION ON ETP AUDIT PROCEDURES:

ETP conducts audits on completed projects on a sample basis. Thus, Hospira may or may not be audited. Should it be chosen for an audit, Virgin America, Inc. will be notified in writing and informed if the audit will be conducted either at your site (field audit) or by telephone if selected for a desk audit (or "review"). These notifications will be sent in advance to allow ample preparation time and will include a list of documentation that will be examined by the auditor. A list of the documentation typically examined during an audit will be included along with the Audit Notification and Audit Confirmation

letters. To provide support of training, original training attendance documentation is required; photocopied records are not acceptable. Listed below are types of records typically requested during an ETP field audit:

- Training attendance records such as rosters, sign-in sheets, etc.
- Payroll records of individual trainees to verify wage and hours worked
- Personnel records regarding occupation and dates of employment

RECORD RETENTION:

Records must be retained within your control and be available for review at your place of business within the State of California. This responsibility will terminate no sooner than four (4) years from the date of the termination of the Agreement or three (3) years from the date of the last payment by ETP to the Contractor, or the date of resolution of appeals, audits, claims, exceptions, or litigation, whichever is later.

If you have any questions or comments regarding the information in this letter, please contact Diane Woodside, at 650-655-6935 or at dwoodside@etp.ca.gov, within ten (10) working days from the receipt date of this letter.

Sincerely,



Creighton Chan, Manager
San Francisco Bay Area Regional Office



Diane Woodside, Account Analyst
San Francisco Bay Area Regional Office

cc: Deborah McCuiston, Director, Corporate Learning, Virgin America
Brian McMahon, ETP Executive Director
Dave Guzman, Chief, Operations
Chuck Rufo, ETP Audit Manager
Kulbir Mayall, ETP Fiscal Unit Manager
Master File
Project File

Date report mailed to Contractor 9/17/08